

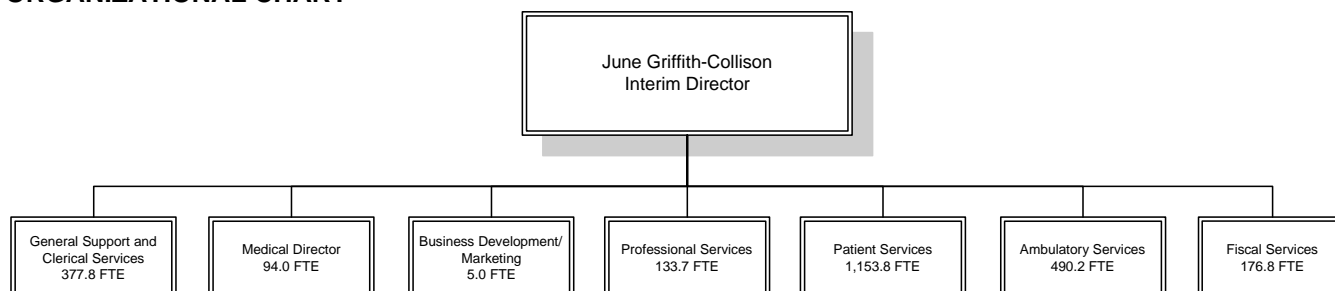
## ARROWHEAD REGIONAL MEDICAL CENTER

### June Griffith-Collison

#### MISSION STATEMENT

To provide quality healthcare to the community.

#### ORGANIZATIONAL CHART



#### SUMMARY OF BUDGET UNITS

2004-05					
	Operating Exp/ Appropriation	Revenue	Fund Balance	Revenue Over/ (Under) Exp	Staffing
Arrowhead Regional Medical Center	308,782,832	298,070,213		(10,712,619)	2,432.3
Tobacco Tax Funds	1,963,199	1,755,762	207,437		-
<b>TOTAL</b>	<b>310,746,031</b>	<b>299,825,975</b>	<b>207,437</b>	<b>(10,712,619)</b>	<b>2,432.3</b>

### Arrowhead Regional Medical Center

#### DESCRIPTION OF MAJOR SERVICES

The Arrowhead Regional Medical Center (ARMC) provides inpatient and outpatient medical care to county residents in accordance with state law. The medical center operates through an enterprise fund. Under this system, revenues earned from operations are retained to fund the program. ARMC is a state-of-the-art facility which offers the latest in patient care by providing a full range of services which includes inpatient and outpatient services, three family health centers, the Department of Behavioral Health's inpatient services, and other specialized services.

#### Our inpatient care service lines includes:

- Inland Counties Regional Burn Center which provides total care of burn patients of all ages and serves areas as far as Irvine, Phoenix and Las Vegas
- Labor and Delivery/Maternity which provides monitoring of labor and care during child birth and postpartum
- Epilepsy Monitoring Unit which provides the mechanism to wean non-epileptic patients off anticonvulsive drugs (ACD) and assists in establishing accurate diagnosis for seizure patients
- Medical Intensive Care Unit (MICU), which provides critical care for medical patients requiring continuous assessments and observation
- Medical, Surgical, Oncology, Geriatric, Orthopedics, Medical/Surgical/Telemetry/Renal Transplant which provides patient care, nursing assessment and observation of adult medical/surgery patients and kidney transplant patients
- Neonatal Intensive Care Unit (NICU) which provides care for newborns requiring continuous assessments and observation
- Nursery which is a full service nursery for newborns
- Pediatrics which provides patient care, nursing assessment and observation to pediatric patients
- Surgical Intensive Care Unit (SICU) which provides critical care for surgical patients requiring continuous assessments and observation



- Transplant services which includes actual transplant as well as patient evaluation, follow-up contact with patients after transplants, diagnostic planning and case management

**Our outpatient care service lines includes:**

- Outpatient Care Specialties which provides a wide range of specialty services such as:
  - Family and Elder Care Community Services which provides preventive health maintenance and primary care for all age
  - Internal Medicine Services which includes Cardiology, Allergy, Nephrology, Endocrinology, Gastroenterology, Hematology, Dermatology, Neurology, Rheumatology, and numerous other subspecialties
  - Surgical Services consists of a variety of general to specialized surgical services for the care of our patients
  - Orthopedic Service provides services for diagnosis and treatment of diseases and abnormalities of the musculoskeletal system
  - Rehabilitation Medicine Services provides care for State disability evaluation, spinal cord injuries, amputees, as well as other rehabilitative services.
  - Pediatric Services provides a variety of comprehensive services and offers well-child visits, high risk follow-up, sick child walk-in visits, as well as pediatric specialties
  - Women's Health Center offers excellent comprehensive pregnancy services from preconception counseling to postpartum care
- Family Health Centers provide outpatient community health care in the form of three clinics called Family Health Centers (FHC's):
  - The Arrowhead McKee Family Health Center
  - The Arrowhead Westside Family Health Center
  - The Arrowhead Fontana Family Health
- Emergency Department provides full service trauma, acute and minor emergency care

**Our other specialized services includes:**

- Imaging Department (Radiology) services include: x-rays, bone density testing, mammography, stereotactic breast biopsies, CT scan, MRI, ultrasound, nuclear medicine, diagnostic radiology, and radiation oncology
- Neurodiagnostics/EEG/EKG/EMG of the hospital provides outpatient EEG, EKG and EMG testing as well as intra operative monitoring
- Laboratory provides routine lab tests, blood transfusion services and blood donor program, and diagnostic services including chemistry, hematology, bacteriology, toxicology, and pathology
- Pharmacy services include mail order distribution to selected Arrowhead Family Health Centers
- Rehabilitation services includes Physical Therapy/Occupational Therapy/Speech Therapy for trauma rehabilitation, brain injury rehabilitation, spinal column injury rehabilitation
- Respiratory Care/Cardiology Services/Sleep Apnea Lab provides complete cardiopulmonary care including pulmonary stress testing, arterial blood gas tests, continuous mechanical ventilator service, and other respiratory treatments
- Guest Services which includes gift shop, social services, pastoral care and cafeteria dining
- Home Health services which includes rehabilitative care extended to Home Health Care
- Hyperbaric oxygen therapy
- Health Information Library
- Diabetics Education Program
- Wound Care Management

**Behavioral Health Services includes:**

- Inpatient services for children and adults psychological treatment which includes evaluation, assessment and are treated by our interdisciplinary team of psychiatrists, clinical therapists, nurses and occupational therapists
- Medication, individual and group therapy and family education

Revenue resources for ARMC are comprised of the following: Disproportionate Share Hospital (DSH) Programs (SB 855, SB 1255, GME), third party payors, Medi-Cal and Medicare, AB 915, tobacco tax funds, current services, miscellaneous revenue, and Health Realignment. Summary information regarding key components of this budget unit appears below. The "Rev Over/(Under) Exp" amount shown above reflects the enterprise fund's depreciation requirement, and is not a shortfall to the budget. Equipment depreciation expense of approximately \$12.3 million is included as an operating expense; because funding is not required to offset this amount, a corresponding amount of revenue is not budgeted.

- The DSH programs were established to provide supplemental Medi-Cal payments to certain hospitals that provide services to disproportionate members of Medi-Cal and other low-income patients. These programs assist safety net hospitals in meeting the uncompensated costs associated with providing medical services to uninsured and underinsured patients. These programs are mechanisms for distributing federal health care funds. The programs require the county to transfer general fund dollars (reflected Health Care Costs (HCC) budget unit) to the state. Through a matching process, the county receives back its initial contribution, the county receives the federal health dollars which are accounted for in the ARMC budget in the state and federal category. The level of the county's contribution is set during the year by the state. As a result, the amounts in the HCC budget only represent estimates of the funds that will be needed to support the transfers, which take place during the coming fiscal year. In a similar fashion, this budget cannot fully reflect the amount of federal health dollars received via DSH programs until the county is notified of the matching amounts during the course of the fiscal year. The DSH program comprises two elements:
  - The SB 855 program provides supplemental payments to hospitals that serve a disproportionate number of low-income individuals. Public entities are required to transfer funds to the State Department of Health Services by an intergovernmental transfer. These funds are matched with the federal funds and redistributed as supplemental payments to all eligible hospitals including non-public hospitals. A hospital may receive DSH payments if its Medi-Cal utilization rate exceeds an established threshold or it uses minimum percentage of its revenues to provide health care to Medi-Cal and uninsured patients. This accounts for approximately 10.81% of ARMC's net revenue.
  - The SB 1255 program supplements eligible hospitals that are licensed to provide emergency medical services and contract with California Medical Assistance Commission (CMAC) to serve Medi-Cal patients under the Selective Provider Contracting Program. Intergovernmental transfers are also made. These funds are combined with matching federal funds and redistributed by CMAC as supplemental payments to hospitals demonstrating a need for additional funds. CMAC ultimately determines the amount received by each participating hospital. This accounts for 7.38% of ARMC's net revenue.
  - The GME program is part of the SB 1255 program and it provides supplemental payments to DSH hospitals that are also teaching facilities. Payments are determined solely by CMAC and the amount can vary from year to year. Similar to other SB 1255 revenues, the amount actually received is determined by the state during the course of the fiscal year. This accounts for approximately 1.34% of ARMC's net revenue.
- Medi-Cal fee for service is a state run insurance program that covers medical bills for low-income patients and accounts for 21.95% of ARMC's net revenue.
- Medi-Cal Managed Care is a program that is administered by Inland Empire Health Plan (IEHP) and it covers medical costs for low-income patients under an HMO type structure and it accounts for 2.96% of ARMC's net revenue.
- Centers for Medicare and Medicaid Services (CMS) approved California's Medicaid State Plan Amendment (SPA) implementing the provisions of AB 915 (Welfare and Institutions Code Section 14105.96, Statutes of 2002). AB 915 is a new bill approved during this year and it will provide public hospitals with a Medicaid supplemental payment for unreimbursed Medi-Cal hospital outpatient fee-for-service expenses. This measure was implemented retroactively from July 1, 2002 and will be effective in the 2003-04 year and each fiscal year, thereafter. The supplemental Medi-Cal payment will be based on each hospital's certified public expenditures (CPE), which will be matched with federal Medicaid payments. The net new money to ARMC



will be limited to the federal share of the unreimbursed Medi-Cal expenses that are certified. This new revenue accounts for 2.73% of ARMC's net revenue.

- Medicare is a federal insurance program for people over the age of 65 and it accounts for 10.46% of ARMC's net revenue.
- Tobacco Tax funds are allocated by the state to partially reimbursed hospitals for uncompensated medical care and they account for 0.39% of ARMC's net revenue.
- The current services revenue category is comprised of:
  - Insurance Revenue from third party insurance carriers paying on behalf of patients primarily receiving services from ARMC's trauma center. This revenue accounts for 20.24% of ARMC's net revenue.
  - A contract with Department of Behavioral Health, for provision of services to mentally ill inpatients, accounts for 6.69% of ARMC's net revenue.
  - Self-pay revenue consists of payments from patients who do not qualify for any reimbursement program and are responsible for their own bills; it accounts for 3.67% of ARMC's net revenue.
- Other revenue is primarily cafeteria sales, reimbursements from contracted physicians for office space, and payment from Riverside Regional County Medical Center (RRCMC) for services provided by ARMC's medical residents assigned to RRCMC. This revenue accounts for 1.13% of ARMC's net revenue.
- Health Realignment is a portion of the vehicle license fees and sales tax collected by the state and distributed to counties to cover the cost of indigent health care. It accounts for 10.25% of ARMC's net revenue.

## BUDGET AND WORKLOAD HISTORY

	Actual 2002-03	Budget 2003-04	Actual 2003-04	Final 2004-05
Total Requirements	261,993,243	274,094,127	285,852,123	308,782,832
Total Financing Sources	257,161,998	263,631,781	280,930,688	298,070,213
Revenue Over/(Under) Expense	(4,831,245)	(10,462,346)	(4,921,435)	(10,712,619)
Budgeted Staffing		2,299.9		2,432.3
Fixed Assets	843,329	1,537,654	1,640,973	1,601,744

### Workload Indicators

Average Daily Inpatient Census ARMC	251	249	268	272
Average Daily Inpatient Census DBH	57	56	51	56
Emergency Room Visits	66,734	74,000	88,338	97,790
Outpatient Clinic Visits	221,101	221,000	244,324	244,534

Salaries and benefits are higher than budgeted in 2003-04 by 3.2% or \$4.4 million due to increase in staffing attributed by increase in patient volume and in compliance with the required staffing ratio in nursing care services. In addition, services and supplies costs increased by 4.3% or \$5.0 million, primarily in medical supplies and pharmaceutical costs in proportion to the increase in patient volume. The \$0.9 million variance in other charges is due to reclassification of the Medically Indigent Adults (MIA) payments previously budgeted in services and supplies.

Variances between actual and budget for 2003-04 existed in operating transfers out as a result of an additional \$2.7 million transfer to the ARMC debt service fund (EMD-JPL) due to the improved financial position of the Medical Center.



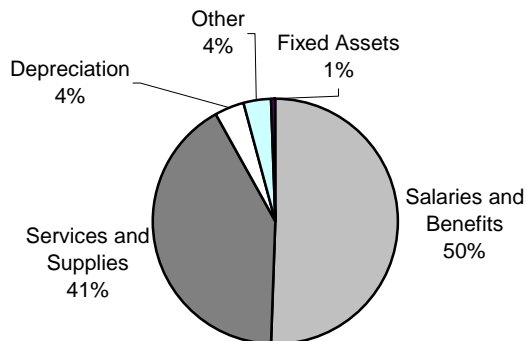
Revenues were higher than budgeted in 2003-04 by 6.6% or \$17.3 million. Revenue increases existed in current services (\$20.6 million) and state and federal revenue (\$11.2 million). Collections from insurance and private pay have increased significantly as a result of elimination of third party contracts, whereby, case rates and negotiated contracted discounts are now paid at retail prices, and due to faster and better billing and collection processes put in place. Increases in state and federal revenue are primarily due to the new AB 915 program and Medi-Cal revenue due to increases in patient volume. These increases were partially offset by a decrease of \$14.7 million in operating transfers in primarily related to realignment, which was not needed, as other revenue sources were higher than anticipated.

The volume increases are seen in average daily census (ARMC and DBH) by 4.6% or 14 patient days per day; emergency room visits by 19.37% or 39.17 visits more per day; outpatient visits by 10.55% or additional 63.73 visits per day. The significant increase in emergency visits is due to creating additional patient screening rooms in September 2003, which allowed more patients to be seen per day. This directly contributes to the inpatient census increase.

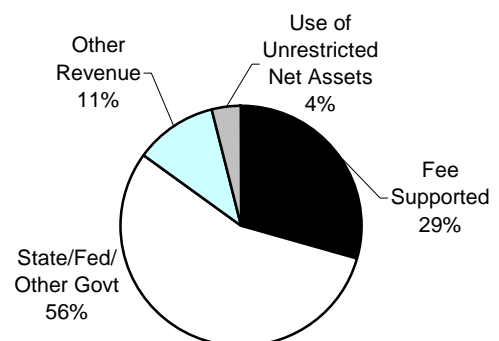
The 2004-05 budget projects the following volume increases: 17.57% or 3,725 more admissions which yields 7.19% or 8,031 more patient days; 32.15% or 23,790 more emergency room visits; and 10.65% or 23,534 more outpatient visits. There is no change in the Behavioral Health inpatient days.

The volume increases are primarily due to anticipated improvement in length of stay by 8.82% which would accommodate 10.21 more admissions per day; renovation and expansion of the emergency room, and remodel of the leased building for Westside Clinic which would accommodate more outpatient visits and better efficiency in current operations.

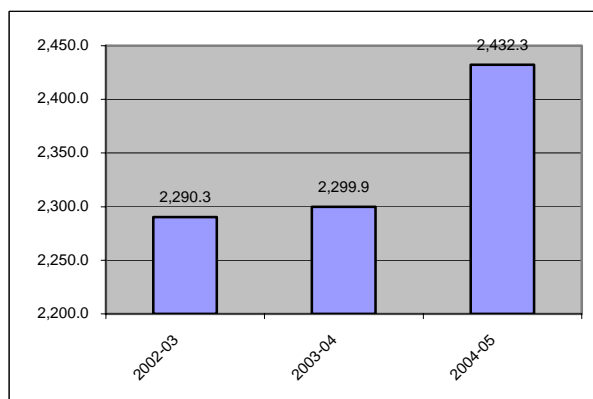
#### 2004-05 BREAKDOWN BY EXPENDITURE AUTHORITY



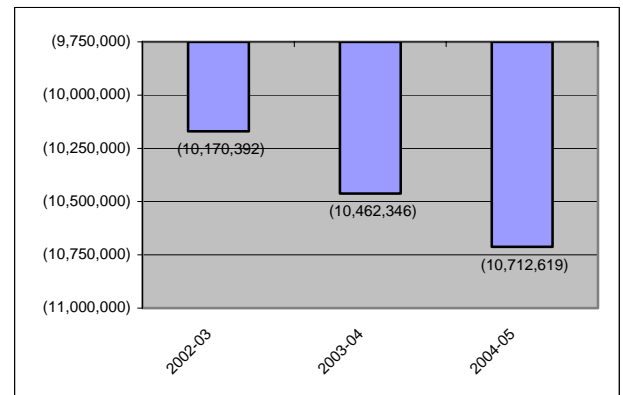
#### 2004-05 BREAKDOWN BY FINANCING SOURCE



#### 2004-05 STAFFING TREND CHART



#### 2004-05 REVENUE OVER/(UNDER) TREND CHART



GROUP: Administrative/Executive  
 DEPARTMENT: Medical Center  
 FUND: Arrowhead Regional Medical Center

BUDGET UNIT: EAD MCR  
 FUNCTION: Health and Sanitation  
 ACTIVITY: County Medical Center

	2003-04 Actuals	2003-04 Approved Budget	2004-05 Board Approved Base Budget	2004-05 Board Approved Changes to Base Budget	2004-05 Final Budget
<b>Appropriation</b>					
Salaries and Benefits	139,529,219	135,178,607	145,412,801	10,924,695	156,337,496
Services and Supplies	122,188,037	117,156,033	118,404,376	9,810,795	128,215,171
Central Computer	587,180	617,038	617,038	121,852	738,890
Other Charges	955,137	10,120	61,858	827,905	889,763
Transfers	900,656	1,132,329	961,753	(42,104)	919,649
Total Appropriation	264,160,229	254,094,127	265,457,826	21,643,143	287,100,969
Depreciation	11,012,812	12,000,000	12,000,000	314,363	12,314,363
Operating Transfers Out	10,679,082	8,000,000	8,587,500	780,000	9,367,500
Total Requirements	285,852,123	274,094,127	286,045,326	22,737,506	308,782,832
<b>Departmental Revenue</b>					
State, Fed or Gov't Aid	177,573,365	166,385,651	174,498,306	(1,526,748)	172,971,558
Current Services	83,621,062	63,006,339	63,006,339	28,162,434	91,168,773
Other Revenue	3,252,661	3,089,791	3,164,791	215,091	3,379,882
Total Revenue	264,447,088	232,481,781	240,669,436	26,850,777	267,520,213
Operating Transfers In	16,483,600	31,150,000	31,150,000	(600,000)	30,550,000
Total Financing Sources	280,930,688	263,631,781	271,819,436	26,250,777	298,070,213
Revenue Over/(Under) Exp	(4,921,435)	(10,462,346)	(14,225,890)	3,513,271	(10,712,619)
Budgeted Staffing		2,299.9	2,317.4	114.9	2,432.3
<b>Fixed Assets</b>					
Equipment	1,201,198	1,250,000	1,250,000	(250,000)	1,000,000
L/P Equipment	439,775	287,654	641,475	(39,731)	601,744
Total Fixed Assets	1,640,973	1,537,654	1,891,475	(289,731)	1,601,744

### **Budget Highlights**

Based on the projected inpatient census and outpatient activity, expenses are expected to increase in 2004-05 by \$34.7 million or 12.7% from the 2003-04 budget as outlined below.

Personnel costs are budgeted to increase by \$21.1 million or 15.65%. Of this amount, \$9.2 million is due to labor negotiations, retirement costs, and workers' compensation rate increases.

The net change in budgeted staffing is an additional 132.4 positions to accommodate the volume increases, compliance in nursing staffing ratio in patient services, additional services such as renal dialysis, hyperbaric therapy, and echo cardiology services, and increased security measures for patient's safety. The following units were affected:

- Nursing Services increased by 54.6 Registered Nurses.
- Ancillary Services increased by 14.0 primarily laboratory and rehabilitation positions.
- Support Services increased by 46.3 clerical and professional positions for the following departments: Housekeeping, Security, Information Technology, Patient Accounting, Materials Management, Case Management, Human Resources, and Dietary Services.
- Medical Records increased by 17.5 to replace Public Service Employees. These positions were added in Mid-year.

Services and supplies are budgeted to increase by \$11.1 million or 9.44% primarily due to increase in volume and inflationary factors and other changes in patient services. This increase is related to several changes with the most significant explained below:

- Internal Service Fund costs increased by \$1.4 million with the majority being related to insurance premiums.



- Medical Supplies is projected to increase by \$3.6 million due to increases in patient activity and projected inflationary cost.
- Pharmaceuticals are projected to increase by \$4.0 million or 21.45% due to increase in prescription lines.
- Information Technology is projected to increase by \$1.4 million due to Infrastructure enhancements additional software and licenses.
- During the year, the Board approved several contracts due to renewals or replacements of old contracts that increased services and supplies by \$1.2 million.
- Utility costs are rising by approximately \$0.4 million due to higher electricity usage and water charges.
- These increases are partially offset by cost decreases of \$0.9 million due several changes in professional services, the reclassification of the MIA payments now budgeted in other charges, and other miscellaneous decreases.

Operating Transfers Out increased by \$1.4 million due to the following capital improvement projects: Emergency room remodel approved mid-year, street repaving, and remodel of the Westside clinic.

Based on the projected inpatient census, outpatient activity, anticipated rate increases, and collection trend, revenues are expected to increase by 13.06% or \$34.4 million in the 2004-05 budget.

The state and federal revenue category will increase by a net \$6.6 million. This will result from the following:

- SB 855 funding is expected to increase by \$3.0 million due to a special provision allocated to public hospitals, a 16% increase on a one-time, non-cumulative basis.
- SB 1255 is estimated to decline by \$10.3 million. ARMC was unable to pursue this increase, as its other revenue sources were significantly higher than anticipated. The estimate is based on actual receipts during the year of \$26,000,000.
- GME is projected to increase \$0.5 million based on actual receipts.
- Medi-Cal fee for service is projected to increase by a net \$3.6 million due to increase in patient days, outpatient visits, and emergency visits.
- Tobacco Tax funds are projected to decrease by \$1.9 million or 61.3% based on receipts trends.
- Medi-Cal Managed Care funding (IEHP) has decreased by approximately \$1.6 million due to a contract change resulting in risk pool payments more favorable to the physician groups and the decrease in membership in IEHP direct product line.
- Medicare revenue is projected to increase by approximately \$5.2 million or 19.95% due to increase in discharges and projected increase in Federal Diagnosis Related Group (DRG) payment amounts effective October 2004.
- During the year, the Board approved additional revenues of \$8.1 million as a result of AB 915.

The current services revenue category will increase by a net \$28.2 million. This will result from the following:

- Due to the cancellations of HMO contracts, increase in admissions, a 10% charge rate increase implemented in 2003-04, ARMC expects a revenue increase of \$19.5 million from the 2003-04 budget. The 2004-05 budget reflects an additional 6% increase in charge rates, raising revenues by \$3.5 million. The increase in rate reflects growing operational costs and is consistent with rate schedules of other area hospitals.
- Enhanced collection efforts are projected to increase Private Pay revenues by approximately \$5.2 million.

DEPARTMENT: Medical Center  
 FUND: Arrowhead Regional Medical Center  
 BUDGET UNIT: EAD MCR

## SCHEDULE A

## MAJOR CHANGES TO THE BUDGET

	Budgeted Staffing	Appropriation	Departmental Revenue	Revenue Over/ (Under) Exp
<b>2003-04 FINAL BUDGET</b>	<b>2,299.9</b>	<b>274,094,127</b>	<b>263,631,781</b>	<b>(10,462,346)</b>
<b>Cost to Maintain Current Program Services</b>				
Salaries and Benefits Adjustments	-	9,262,399	-	(9,262,399)
Internal Service Fund Adjustments	-	-	-	-
Prop 172	-	-	-	-
Other Required Adjustments	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>9,262,399</b>	<b>-</b>	<b>(9,262,399)</b>
<b>Board Approved Adjustments During 2003-04</b>				
30% Spend Down Plan	-	-	-	-
Mid-Year Board Items	17.5	2,688,800	8,187,655	5,498,855
<b>Subtotal</b>	<b>17.5</b>	<b>2,688,800</b>	<b>8,187,655</b>	<b>5,498,855</b>
<b>Impacts Due to State Budget Cuts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BOARD APPROVED BASE BUDGET</b>	<b>2,317.4</b>	<b>286,045,326</b>	<b>271,819,436</b>	<b>(14,225,890)</b>
<b>Board Approved Changes to Base Budget</b>	<b>114.9</b>	<b>22,737,506</b>	<b>26,250,777</b>	<b>3,513,271</b>
<b>TOTAL 2004-05 FINAL BUDGET</b>	<b>2,432.3</b>	<b>308,782,832</b>	<b>298,070,213</b>	<b>(10,712,619)</b>
<b>2003-04 FINAL FIXED ASSETS</b>		<b>1,537,654</b>		
<b>Board Approved Adjustments During 2003-04</b>				
Mid-Year Board Items		353,821		
<b>Impacts to Fixed Assets Due to State Budget Cuts</b>		-		
<b>Board Approved Changes to Base Budget</b>		(289,731)		
<b>TOTAL 2004-05 FINAL FIXED ASSETS BUDGET</b>		<b>1,601,744</b>		



## SCHEDULE B

DEPARTMENT: Medical Center  
 FUND: Arrowhead Regional Medical Center  
 BUDGET UNIT: EAD MCR

## BOARD APPROVED CHANGES TO BASE BUDGET

Brief Description of Board Approved Changes	Budgeted Staffing	Appropriation	Departmental Revenue	Revenue Over/ (Under) Exp
1. Salaries & Benefits Salaries & Benefits are expected to increase by \$10.9 million with the addition of 114.9. *Nursing Services - 54.6 Registered Nurses for projected volume increases and compliance with patient ratios. The increases occurred in the following departments within the hospital: - Emergency Room - 16.3 to cover the 32.1% increase in visits - Hyperbaric O2 Therapy - 4.0 for a new department to support wound care. - Trauma - 11.6 to meet state staffing requirements. - Renal Dialysis - 12.5 to bring this service in-house and a 137% increase in volume for expanding this service to outpatient patients. - Special Procedure Lab - 6.0 due to a 105% increase in volume. - Float Pool Registered Nurse Per Diem - 4.2. *Ancillary Services - 14.0 due to volume increases or new services. The following departments with in the hospital were affected: - 4.4 in the Laboratory to accommodate the 22.6% volume increase. - 4.6 in Cardiology to accommodate the expansion in Echocardiology and the Cardiac Cath Lab, to reduce outpatient wait time in Ultrasound and for physical therapy for the Cardiac Health Management Program. - 5.0 in Rehabilitation Services due to a reorganization of the unit and expected increase in volume of 15.3%. *Support Services increased by the following 46.3; - 9.8 Custodians to handle linen distribution and improve services at the family health clinics and the cafeteria area. - 21.0 Security Technicians to increase security measures for patient's safety. - 2.0 in Information Management for the Fiscal Business Application Manager and the Business Systems Tech. - 5.0 in Patient Accting -due to a reorganization to provide better customer service, billing and collections services and volume increased of 8.5%. - 3.0 - clerical and clinical assistants in Case Mgmt to accommodate the increase in patient days. - 1.0 Fiscal clerk for Materials Mgmt to handle additional purchases associated with the increased patient volume. - 1.0 Human Resources Officer to stay current with workload and investigative reports and disciplinary actions. - 3.5 Food Service Workers to accommodate the increased in patient days.	114.9	10,924,695	-	(10,924,695)
2. Adjustments to Internal Service Funds The following changes were made in services and supplies: - increase in Comnet charges and special services, Radio charges, Risk Management Liabilities, and Presort packaging. - decrease in Comnet outside services, cellular services, Distributed equipment, and ISD labor.	-	1,431,889	-	(1,431,889)
3. COWCAP COWCAP was reduced by \$0.8 million by the Auditor/Controller's Office.	-	(771,472)	-	771,472
4. Increase in medical supplies and pharmaceuticals. Medical Supplies (\$3.6 million ) are projected to increase due to a 2.5% inflation and new programs such as dialysis, Gastrointestinal laboratory tests, increase in inpatient census primarily in Burn care and the Emergency Room. Pharmaceuticals (\$4. 0 million) are projected to increase due to volume increases. The Average Daily Census is expected to increase by 9.2%, Emergency Room visits by 32.1% and Outpatient Clinic visits by 10.65%.	-	7,616,442	-	(7,616,442)
5. Information Technology changes Increases in computer software and noninventoriable equipment are due to the following: - Purchase of new Meditech modules - Deploy a wireless network (patient care systems (PCS) - nursing carts and Wireless Access Points) that will provide mobility and ease of use of clinical staff's access to patients medical information for better efficiency and patient care. - Purchase of new configuration software for a network upgrade.	-	1,440,387	-	(1,440,387)
6. Utilities Utilities costs are expected to increase due to increase in patient volume.		394,380	-	(394,380)
7. Other Professional Services The following changes were made to professional services: - Dialysis contract is expiring on September 2004 and the services will be brought in-house - (\$601,500). - Decrease in managed care medical services due to a decreased in Inland Empire Health Plan (IEHP) direct membership (\$339,058). - Net decrease in all other contracts - (\$759,140). - Increase in patient services for the Family health clinics - \$573,039. - Increase in pharmacy services due to increase in patient volume - \$805,673. - Increase in services due to HIPAA compliance. A new contract will be needed for an Access control system to institute security access to patient information and reports from vendors, visitors, and employees - \$200,000.	-	(120,986)	-	120,986



DEPARTMENT: Medical Center  
 FUND: Arrowhead Regional Medical Center  
 BUDGET UNIT: EAD MCR

## SCHEDULE B

## BOARD APPROVED CHANGES TO BASE BUDGET

Brief Description of Board Approved Changes	Budgeted Staffing	Appropriation	Departmental Revenue	Revenue Over/ (Under) Exp
8. General Maintenance Equipment and Structures Increase in maintenance costs due to aging equipment primarily in medical imaging and additional building maintenance needed.	-	352,552	-	(352,552)
9. Operating Rents and Leases - Equipment Rental equipment cost are expected to increase as a result of entering into new agreements to replace obsolete equipment.	-	221,262	-	(221,262)
<b>** Final Budget Adjustment - Mid-year item Operating Lease Mid year item for a lease purchase of intravenous pump equipment. These costs will be paid by current services - insurance.</b>		<b>100,112</b>	<b>100,112</b>	<b>-</b>
10. Reclassify Medically Indigent Adult payments from Services and Supplies Payments of Medically Indigent Adults (MIA/CMSP) claims previously paid out of services and supplies are now budgeted in Other Charges.		(775,000)	-	775,000
11. Decrease to various expenses. Miscellaneous Changes in services and supplies.	-	(78,771)	-	78,771
12. Data Processing Charges Increase charges per ISD.		121,852	-	(121,852)
13. Other Charges Increase due to the following: - Higher interest payments on GE leases - \$53K. - Payments of Medically Indigent Adult (MIA/CMSP) claims which were previously paid out of services and supplies are now budgeted here - \$775K. This is a reclassification, no effect in total appropriations.	-	827,905	-	(827,905)
14. Decrease in Transfers Out Clinic rental payments decreased due to terminating the rental contract for a Medically Indigent Adults (MIA/CMSP) clinic in Yucca. The CMSP provider is now responsible for these costs.		(42,104)	-	42,104
15. Depreciation Increased depreciation expense for capitalized equipment.		314,363	-	(314,363)
16. Increase in Operating Transfers Out Increase is due to new capital improvement projects: - Road repaving \$150 K - Renovation and expansion of the Westside Clinic located in downtown San Bernardino to accommodate increase patient visits, improve patient flow and customer service, and provide efficiency in throughput \$630 K.	-	780,000	-	(780,000)
17. State Aid The following changes were made to State Aid: Decrease in: - SB 1255 as ARMC was unable to pursue the anticipated increase since other revenue sources were higher than anticipated (\$-10.3 million). - Tobacco Tax allocation from the state ( \$-1.9 million). - Medi-Cal Managed Care revenues due to a change in contract resulting in risk pool payments more favorable to the physician groups and a decrease in enrollees (\$-1.6 million). Increase in: - Medi-Cal fee for services revenue due to a projected increase in patient days (\$4.9 million). This revenue increase was partially offset due to an anticipated 3% Medi-Cal rate increase from California Medical Assistance Commission (CMAC) not realized (\$-1.3 million). - SB 855 due to a 16% special, temporary increase in allotments on a one-time, non-cumulative basis (\$3.0 million). - SB 1255 related to the Graduate Medical Education (GME) program (\$0.5 million).	-	-	(6,713,268)	(6,713,268)
18. Federal Aid Federal Aid increased by \$5.2 million because of a 5% increase in discharges and an increase in the Federal Diagnostic Related Group (DRG) payment rate.	-	-	5,186,520	5,186,520
19. Current Services The following changes were made to current services: - Increase in private Pay (\$5.2 million) and Insurance revenue (\$22.8 million) due to improve billing and collection efforts and a 6% rate increase.	-	-	28,062,322	28,062,322
20. Other Revenue Other revenue increased by \$0.2 million from various sources.		-	215,091	215,091



## SCHEDULE B

DEPARTMENT: Medical Center  
 FUND: Arrowhead Regional Medical Center  
 BUDGET UNIT: EAD MCR

## BOARD APPROVED CHANGES TO BASE BUDGET

Brief Description of Board Approved Changes	Budgeted Staffing	Appropriation	Departmental Revenue	Revenue Over/ (Under) Exp
21. Operating Transfers In Operating Transfers In decreased by \$0.6 million with the elimination of trauma funding from Public Health.	-	-	(600,000)	(600,000)
<b>Total</b>	<b>114.9</b>	<b>22,737,506</b>	<b>26,250,777</b>	<b>3,513,271</b>

## BOARD APPROVED CHANGES IN FIXED ASSETS

Brief Description of Board Approved Change	Appropriation
1. Equipment Purchases Equipment Purchases are decreasing by \$0.3 million due to the proposed buyouts of capital leases never occurring.	(250,000)
2. Decrease in Capital Leases Decrease is due to leases for copiers expiring. New leases will now be operating leases instead of capital leases and are reflected in services and supplies.	(39,731)
<b>Total</b>	<b>(289,731)</b>

\*\* Final Budget Adjustment was approved by the Board after the proposed budget was submitted.

